Annual Financial Statements

for

Modimolle Local Municipality

for the year ended 30 June: ***2012***

Province: Limpopo

AFS rounding: ***R (i.e. only cents)***

Contact Information:

Name of Acting Municipal Manager:	TM Mathabatha
Name of Acting Chief Financial Officer:	SSM Botha
Contact telephone number:	014 718 2025
Contact e-mail address:	
Name of contact at provincial treasury:	SE Tema
Contact telephone number:	
Contact e-mail address:	temase@treasury.lompopo.gov.za
Name of relevant Auditor:	Auditor General
Name of contact at National Treasury:	#VALUE!
Contact telephone number:	#VALUE!
Contact e-mail address:	#VALUE!

Modimolle Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

General information

Members of the Council

K E LEKALAKALA	**Mayor**
SA SEBOLAI	**Speaker**
MP KEKANA	Member of the Executive Committee
LW VAN ASWEGAN	Member of the Executive Committee
NG MASHITSHO	Chief Whip
MF MARUTHA	Member
MS OLIFANT	Member
G FERREIRA	Member
RP MASHABA	Member
JS MASEKO	Member
NG MOJELA	Member
MP NYAMA	Member
J NEL	Member
WL BOTES	Member
NA KHANYA	Member
SJ MOROPENE	Member
MS LEDWABA	Member
SP SEBELEBELE	Member

Acting Municipal Manager

TM Mathabatha

Acting Chief Financial Officer

SSM Botha

Grading of Local Authority

3

Auditors

Auditor-General

Bankers

Standard Bank

General information (continued)

Registered Office:

Physical address:

OR Tambo Square
Harry Gwala street
Modimolle
0510

Postal address:

Private Bag x1008
Modimolle
0510

Telephone number:	(014) 718 2000
Fax number:	(014) 717 4077
E-mail address:	records@modimolle.gov.za

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 47, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.
I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 28 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

_____

Municipal Manager:

31 August 2012

Modimolle Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

Index	Page
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Accounting Policies	9-18
Notes to the Annual Financial Statements	19-41
Appendix A: Schedule of External Loans	42
Appendix B: Analysis of Property, Plant and Equipment	43-46
Appendix C: Statement of Comparitive Actusl Information	47

Modimolle Local Municipality
STATEMENT OF FINANCIAL POSITION
as at 30 June 2012

	Note	2012 R	2011 R Restated
ASSETS			
Current assets			
Cash and cash equivalents	1	55 498 861	29 809 539
Trade and other receivables from exchange transactions	2	40 218 399	25 764 728
Other receivables from non-exchange transactions	3	803 950	803 950
Inventories	4	6 647 892	4 703 234
Investments	5	900 000	13 137 202
VAT receivable	14	-	-
Non-current assets held for sale	11	-	-
Non-current assets			
Non-current receivables	6	159 147	100 267
Investments	7	1 990 416	1 705 523
Property, plant and equipment	8	801 239 796	802 150 055
Intangible assets	9	2 547 879	2 650 660
Investment property carried at cost	10	5 191 251	5 191 251
Total assets		**915 197 592**	**886 016 409**
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	12	25 687 243	12 863 800
Consumer deposits	13	2 808 469	2 687 115
VAT payable	14	15 766 179	5 261 309
Current provisions	15	5 947 423	3 025 647
Current portion of unspent conditional grants and receipts	16	14 501 310	10 987 376
Current portion of borrowings	17	441 576	465 090
Current portion of finance lease liability	18	911 737	205 296
Non-current liabilities			
Non-current unspent conditional grants and receipts	16	-	-
Non-current borrowings	17	2 225 974	2 667 550
Non-current finance lease liability	18	3 294 623	41 086
Non-current provisions	19	6 474 948	5 801 180
Defined benefit plan obligations	42	17 900 419	17 016 505
Total liabilities		**95 959 899**	**61 021 953**
Net assets		**819 237 693**	**824 994 456**
NET ASSETS			
Reserves		483 263	483 263
Accumulated surplus / (deficit)		818 754 430	824 511 193
Total net assets		**819 237 693**	**824 994 457**

Modimolle Local Municipality

STATEMENT OF FINANCIAL PERFORMANCE

for the year ending 30 June 2012

	Note	2012 R	2011 R Restated
Revenue			
Property rates	20	17 640 185	15 905 657
Service charges	21	96 376 088	89 473 121
Rental of facilities and equipment	22	345 529	342 161
Interest earned - external investments	23	2 638 618	2 914 413
Interest earned - outstanding receivables	24	5 141 087	2 830 587
Fines		72 243	70 650
Income from agency services		3 294 168	2 666 872
Government grants and subsidies	25	84 051 066	70 567 009
Public contributions and donations	32	79 963	-
Other income	26	2 745 330	3 872 366
Total revenue		**212 384 278**	**188 642 837**
Expenses			
Employee related costs	27	63 054 742	51 939 935
Remuneration of councillors	28	4 963 797	3 729 661
Bad debts		3 930 808	6 303 629
Depreciation and amortisation expense	29	30 503 397	34 141 303
Repairs and maintenance		8 096 031	6 689 827
Finance costs	30	2 749 330	2 039 033
Bulk purchases	31	65 946 769	45 773 746
Contracted services	32	7 779 198	4 702 312
General expenses	33	30 707 663	31 791 787
Total expenses		**217 731 735**	**187 111 233**
Gain / (loss) on sale of assets	34	(409 306)	-
(Impairment loss) / Reversal of impairment loss			
Profit / (loss) on fair value adjustment			
Inventories: (Write-down) / reversal of write-down to net realisable value	4	-	-
Surplus / (deficit) for the period		**(5 756 763)**	**1 531 603**

Modimolle Local Municipality

STATEMENT OF CHANGES IN NET ASSETS

as at 30 June 2012

		Housing Development Fund	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
		R	R	R	R
Balance at 30 June 2010		**483 263**	**483 263**	**246 700 690**	247 183 953
PPE cost establishment	**37**			547 924 311	547 924 311
Restated balance		**483 263**	**483 263**	**794 625 001**	795 108 264
Surplus / (deficit) on revaluation of property of property, plant and equipment					-
Other items					-
Net gains and losses not recognised in the statement of financial performance					-
Transfers to / from accumulated surplus/(deficit)			**-**	-	-
Surplus / (deficit) for the period				1 531 603	1 531 603
Balance at 30 June 2011		**483 263**	**483 263**	**796 156 604**	**796 639 868**
Correction of prior period error	**37**			28 354 589	28 354 589
Restated balance		**483 263**	**483 263**	**824 511 193**	**824 994 457**
Surplus / (deficit) on revaluation of property of property, plant and equipment					-
Other items					-
Net gains and losses not recognised in the statement of financial performance					-
Transfers to / from accumulated surplus/(deficit)					-
Surplus / (deficit) for the period				(5 756 763)	(5 756 763)
Balance at 30 June 2012		**483 263**	**483 263**	**818 754 430**	**819 237 693**

Modimolle Local Municipality
CASH FLOW STATEMENT
as at 30 June 2012

	Note	2012 R	2011 R Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		202 616 937	183 343 112
Property rates		15 262 149	18 961 126
Service charges		85 823 278	82 521 949
Rental of facilities and equipment		345 529	342 161
Interest earned - external investments		2 638 618	2 914 413
Interest earned - outstanding receivables		5 141 087	2 830 587
Fines		72 243	70 650
Licences and permits		3 294 168	2 666 872
Government grants and subsidies		87 294 535	68 657 118
Other income		2 745 330	4 378 236
Payments		167 133 371	179 770 472
Employee related costs		63 054 742	51 939 935
Remuneration of councillors		4 963 797	3 729 661
Repairs and maintenance		8 096 031	6 689 827
Finance costs		2 749 330	2 039 033
Bulk purchases		49 406 429	55 597 090
Contracted services		7 779 198	4 702 312
General expenses		31 083 844	55 072 614
Net cash flows from operating activities	35	**35 483 566**	**3 572 640**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(25 241 440)	(44 491 654)
Proceeds from sale of fixed assets			
Proceeds from sale of investments		11 952 308	(243 416)
Purchase of intangibles		-	52 201
Decrease/(Increase) in Loans and receivables		-	-
Acquisition of Investment Properties		-	(5 191 251)
Net cash flows from investing activities		**(13 289 132)**	**(49 874 120)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	
Repayment of borrowings		(465 090)	(2 636 219)
Movement in finance lease liability		3 959 978	122 532
Repayment of finance lease liability		-	-
Net cash flows from financing activities		**3 494 888**	**(2 513 687)**
Net increase / (decrease) in net cash and cash equivalents		25 689 322	(48 815 167)
Net cash and cash equivalents at beginning of period		29 809 539	19 005 628
Net cash and cash equivalents at end of period	36	**55 498 861**	**29 809 539**

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

The accounting framework of the Municipality, based on the preceding paragraphs, is therefore as follows:

GRAP 1 – Presentation of financial statements
GRAP 2 – Cash flow statements
GRAP 3 – Accounting policies, changes in accounting estimates and errors
GRAP 5 – Borrowing costs
GRAP 9 – Revenue from exchange transactions
GRAP 11 – Construction contracts
GRAP 12 – Inventories
GRAP 13 – Leases
GRAP 14 – Events after the reporting date
GRAP 16 – Investment property
GRAP 17 – Property, plant and equipment
GRAP 19 – Provisions, contingent liabilities and contingent assets
GAMAP 9 – Paragraphs relating to revenue from non-exchange transactions
GRAP 100 – Non-current assets held for sale and discontinued operations
GRAP 101 – Agriculture
GRAP 102 – Intangible assets
IPSAS 20 – Related party disclosure
IPSAS 21 – Impairment of non cash-generating assets
IFRS 7 – Financial instruments: disclosures
IAS 19 – Employee benefits
IAS 32 – Financial instruments: presentation
IAS 36 – Impairment of assets
IAS 39 – Financial instruments: recognition and measurement

1.2 PRESENTATION CURRENTY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 CHANGE IN ACCOUNTING POLICY

Accounting policies have been consistently applied, except where otherwise indicated :
The Municipality changes an accounting policy only if the change:

i) Is required by a standard of GRAP; or

ii) Results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions, on the performance or cash flow.

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plan and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Buildings	5-60
Community Assets	
Community Facility	7-100
Sports and Recreational Facility	15-80
Infrastructure Assets	
Electricity Network	10-60
Road and Storm Water Network	4-100
Sanitation Network	4-100
Water Supply Network	4-100
Other Assets	
Housing	30-80
Operational Buildings	7-80
Office Equipments	
General Motor Vehicles	
Furniture and Fittings	
Plant and Equipment	

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitlised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amoritisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	3-years

Intangible seets with indefinite useful life:
Electricity servitudes
Sanitation servitudes
Stormwater servitudes
Water servitudes

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in acounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

The Municipality has adopted the transitional arrangements as set out in Directive 4, released by the Accounting Standards Board in February 2008. This involves the recognition of all assets under the ownership of the Municipality, but not necessarily the measurement of such assets.

5 NON-CURRENT ASSETS HELD FOR SALE

5.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

5.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

6 INVENTORIES

6.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

6.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

7 FINANCIAL INSTRUMENTS

7.1 INITIAL RECOGNITION

Financial instruments are intitally recognised at fair value.

7.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

7.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

7.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

7.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liaibilities held at amortised cost, are intitially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

7.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilties carried at amortised cost.

8 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

11 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met: (a) The municipality has a detailed formal plan for the restructuring identifying at least: - the business or part of a business concerned; - the principal locations affected; - the location, function, and approximate number of employees who will be compensated for terminating their services; - the expenditures that will be undertaken; and - when the plan will be implemented; and
(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

12 LEASES

12.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

12.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

13 REVENUE

13.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

15.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

15.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

14 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

15 RETIREMENT BENEFITS

The Municipality provides post-retirement healthcare benefits to their retirees. The entitlement to these benefits are conditional on the employee remaining in service up to retirement age.The post-retirement healthcare benefit is a defined benefit plan and the municipality applied the actuarial valuation method.In this method,the Projected Credit Method is used to determine the present value of its defined benefit obligation and related current and past service cost.The resulting actuarial gains and losses are recognised in the statement of financial results.

16 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date. as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

17 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municpality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:
- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

18 VAT

The Municipality accounts for value-added taxation on a cash basis, while the Annual Financial Statements are prepared on the accrual basis of accounting.

19 EVENTS AFTER REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date, have been disclosed in the notes to the Annual Financial Statements

20 RELATED PARTIES

Individuals as well as their close family members, and/or entities, are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel are defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

	Note	2012 R	2011 R
1 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand		4 100	4 100
Cash at bank		51 203 436	13 338 743
Call deposits		4 291 325	16 466 697
		55 498 861	29 809 539
The Municipality has the following bank accounts: -			
Current Account 2012 (Primary Bank Account)			
Standard Bank Limited - Modimolle Branch: Account Number 330506137			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		47 060 003	-
Bank statement balance at beginning of year		3 518	-
Bank statement balance at end of year		47 186 866	3 518
Current Account 2011 (Primary Bank Account)			
First National Bank - Modimolle Brance: Account Number			
Cash book balance at beginning of year		13 338 743	1 980 388
Cash book balance at end of year		4 143 433	13 338 743
Bank statement balance at beginning of year		22 609 760	13 834 992
Bank statement balance at end of year		107 372	22 609 760
Call deposits			
Current Investments		4 291 325	16 466 697
Cash on hand		4 100	4 100
Total cash and cash equivalents		55 498 861	29 809 539

	Note	2012 R	2011 R
2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	**Gross Balances**	**Provision for Doubtful Debts**	**Net Balance**
Trade receivables	**R**	**R**	**R**
as at 30 June 2012			
Service debtors			
Rates	11 009 933		11 009 933
Electricity	7 761 869	(934 916)	6 826 953
Water	19 194 464	(9 351 256)	9 843 208
Sewerage	4 523 282		4 523 282
Refuse	4 909 835	(2 889 342)	2 020 493
VAT	6 149 687	(2 810 337)	3 339 350
Other (sundry debtors)	8 526 748	(7 243 211)	1 283 537
Total	**62 075 817**	**(23 229 062)**	**38 846 756**
Other receivables	**1 371 643**	**-**	**1 371 643**
Other receivables	**1 371 643**	**-**	**1 371 643**
Total Trade and other receivables	**63 447 461**	**(23 229 062)**	**40 218 399**
as at 30 June 2011			
Service debtors			
Rates	8 631 897	-	8 631 897
Electricity	3 573 387	(2 159 748)	1 413 639
Water	14 048 789	(6 860 954)	7 187 835
Sewerage	3 827 037	-	3 827 037
Refuse	4 800 006	(3 671 827)	1 128 179
VAT	-	(5 848 549)	(5 848 549)
Other (sundry debtors)	13 529 982	(5 288 146)	8 241 836
Total	**48 411 098**	**(23 829 224)**	**24 581 874**
Other receivables	**1 182 854**	**-**	**1 182 854**
Other receivables	**1 182 854**	**-**	**1 182 854**
Total Trade and other receivables	**49 593 952**	**(23 829 224)**	**25 764 728**
Rates: Ageing			
Current (0 – 30 days)		1 255 569	1 397 782
31 - 60 Days		532 397	328 115
61 - 90 Days		466 866	310 853
91 - 120 Days		443 969	295 458
121 - 365 Days		8 311 132	6 299 689
+ 365 Days			
Total		**11 009 933**	**8 631 897**
Electricity: Ageing			
Current (0 – 30 days)		2 793 077	215 466
31 - 60 Days		1 983 808	216 975
61 - 90 Days		663 291	83 917
91 - 120 Days		465 579	65 132
121 - 365 Days		921 199	832 149
+ 365 Days			
Total		**6 826 953**	**1 413 639**
Water: Ageing			
Current (0 – 30 days)		1 862 249	2 561 076
31 - 60 Days		1 502 486	600 966
61 - 90 Days		723 414	736 762
91 - 120 Days		424 019	561 627
121 - 365 Days		5 331 040	2 727 404
+ 365 Days			
Total		**9 843 207**	**7 187 835**
Sewerage: Ageing			
Current (0 – 30 days)		577 130	756 225
31 - 60 Days		205 512	134 591
61 - 90 Days		173 616	124 505
91 - 120 Days		146 698	112 866
121 - 365 Days		3 420 327	2 698 850
+ 365 Days			
Total		**4 523 282**	**3 827 037**

	Note	2012 R	2011 R
Refuse: Ageing			
Current (0 – 30 days)		386 690	144 273
31 - 60 Days		161 134	131 784
61 - 90 Days		134 651	123 246
91 - 120 Days		143 935	113 969
121 - 365 Days		1 194 084	614 907
+ 365 Days			
Total		**2 020 493**	**1 128 179**
VAT: Ageing			
Current (0 – 30 days)		787 405	-
31 - 60 Days		560 885	-
61 - 90 Days		245 898	-
91 - 120 Days		173 126	-
121 - 365 Days		1 572 037	(5 848 549)
+ 365 Days			
Total		**3 339 350**	**(5 848 549)**
Other(sundry debtors): Ageing			
Current (0 – 30 days)		(152 751)	376 218
31 - 60 Days		187 294	585 440
61 - 90 Days		294 761	558 308
91 - 120 Days		223 685	-
121 - 365 Days		730 547	6 721 870
+ 365 Days			
Total		**1 283 537**	**8 241 836**

2 Reconciliation of the doubtful debt provision

Balance at beginning of the year		23 829 174	19 369 712
Contributions to provision		3 930 808	6 303 629
Doubtful debts written off against provision		(4 530 920)	(1 844 167)
Reversal of provision		-	-
Balance at end of year		**23 229 062**	**23 829 174**

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Other debtors		803 950	803 950
Total Other Debtors		**803 950**	**803 950**

	Note	2012 R	2011 R
4 INVENTORIES			
Consumable stores		5 626 203	3 702 600
			-
Unsold Properties Held for Resale		919 000	919 000
Water		102 689	81 634
		6 647 892	**4 703 234**
5 INVESTMENTS			
Call investments		900 000	13 137 202
		900 000	**13 137 202**
Fixed deposits amounting to R900 000 (2011: R900 000) have been pledge to Magalies Water for a deposit.			
6 NON-CURRENT RECEIVABLES			
Deposit - Electricity		159 147	100 267
Total		**159 147**	**100 267**

Deposit - Electricity
The deposit is held by Eskom for bulk services rendered to the municipality.

7 INVESTMENTS			
Financial Instruments			
Fixed Deposits		1 986 416	1 701 523
Other Investments		4 000	4 000
		1 990 416	1 705 523
Other Investments			
Unlisted investments		4 000	4 000

Investments totalling R1 986 416 (2011: R1 701 523) were ceded to the DBSA. These investments serve as security for the long term loans.

8 PROPERTY, PLANT AND EQUIPMENT

8.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2011	**352 661 411**	**37 965 636**	**383 542 949**	**15 718 883**	**-**	**12 150 154**	**202 175**	**802 241 208**
Cost/Revaluation	354 493 212	46 685 683	460 015 175	19 933 537	-	16 591 634	1 056 947	898 776 189
Accumulated depreciation and impairment losses	(1 831 801)	(8 720 047)	(76 472 226)	(4 214 654)	-	(4 441 480)	(854 772)	(96 534 981)
Acquisitions	-	6 261 356	46 476 651	288 109	-	109 874	4 276 950	57 412 940
Capital under Construction	-	(160 935)	(273 883)	(97 820)	-	-	(1 057 376)	(1 590 014)
Depreciation	(1 835 619)	(2 858 197)	(20 408 221)	(1 338 859)	-	(3 043 133)	(916 588)	(30 400 617)
Carrying value of donations	**-**	**-**	**-**	**-**	**-**	**79 963**	**-**	**79 963**
Cost/Revaluation	-	-	-	-	-	79 963	-	79 963
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Derecognition	-	56 089	19 503	47 740	-	-	946 904	1 070 236
Transfers			(27 520 965)	(8 772)		(48 000)		(27 577 737)
Landfill	3 817							3 817
as at 30 June 2012	**350 829 609**	**41 263 949**	**381 836 033**	**14 609 281**	**-**	**9 248 858**	**3 452 065**	**801 239 796**
Cost/Revaluation	354 497 030	52 786 104	478 696 978	20 115 054	-	16 733 472	4 276 521	927 105 157
Accumulated depreciation and impairment losses	(3 667 420)	(11 522 155)	(96 860 944)	(5 505 773)	-	(7 484 613)	(824 456)	(125 865 361)

8.2 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2010	**329 056 719**	**40 363 838**	**385 095 755**	**16 976 517**	**-**	**6 883 783**	**299 853**	**778 676 464**
Cost/Revaluation	329 056 719	46 194 153	435 835 954	19 730 797	-	9 095 925	2 010 072	841 923 620
Accumulated depreciation and impairment losses	-	(5 830 315)	(50 740 199)	(2 754 280)	-	(2 212 142)	(1 710 219)	(63 247 155)
Acquisitions	25 436 493	491 530	32 276 403	43 968	-	7 447 709	110 043	65 806 146
Capital under Construction	-	-	13 126 158	158 772	-	48 000	-	13 332 930
Depreciation	(1 831 801)	(2 889 732)	(25 732 027)	(1 460 374)	-	(2 229 338)	(207 721)	(34 350 993)
Carrying value of disposals	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Transfers			(21 314 493)			-		(21 314 493)
*Other movements								
as at 30 June 2011	**352 661 411**	**37 965 636**	**383 451 796**	**15 718 883**	**-**	**12 150 154**	**202 175**	**802 150 055**
Cost/Revaluation	354 493 212	46 685 683	459 924 022	19 933 537	-	16 591 634	1 056 947	898 685 035
Accumulated depreciation and impairment losses	(1 831 801)	(8 720 047)	(76 472 226)	(4 214 654)	-	(4 441 480)	(854 772)	(96 534 981)

9 INTANGIBLE ASSETS

9.1 Reconciliation of carrying value	Computer Software R	Servitudes R	Total R
as at 1 July 2011	153 391	2 497 269	2 650 660
Cost	308 372	2 497 269	2 805 641
Accumulated amortisation and impairment losses	(154 981)	-	(154 981)
Acquisitions	-	-	-
Amortisation	(102 780)	-	(102 780)
Carrying value of disposals	**-**	**-**	**-**
Cost	-	-	-
Accumulated amortisation		-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2012	**50 611**	**2 497 269**	**2 547 879**
Cost	308 372	2 497 269	2 805 641
Accumulated amortisation and impairment losses	(257 761)	-	(257 761)

9.2 Reconciliation of carrying value	Computer Software R	Servitudes R	Total R
as at 1 July 2010	**2 753 440**	**2 497 269**	**5 250 708**
Cost	2 805 641	2 497 269	5 302 909
Accumulated amortisation and impairment losses	(52 201)	-	(52 201)
Acquisitions	-	-	-
Amortisation	(102 780)	-	(102 780)
Carrying value of disposals	**-**	**-**	**-**
Cost	-	-	-
Accumulated amortisation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2011	**153 391**	**2 497 269**	**2 650 660**
Cost	308 372	2 497 269	2 805 641
Accumulated amortisation and impairment losses	(154 981)	-	(154 981)

10 INVESTMENT PROPERTY CARRIED AT COST

10.1 Reconciliation of carrying value

	Investment property Land R	Total R
as at 1 July 2011	**5 191 251**	**5 191 251**
Cost	5 191 251	5 191 251
Accumulated depreciation and impairment losses	-	-
Acquisitions		-
Depreciation	-	-
as at 30 June 2012	**5 191 251**	**5 191 251**
Cost	5 191 251	5 191 251
Accumulated depreciation and impairment losses	-	-

10.2 Reconciliation of carrying value

	Investment property R	Total R
as at 1 July 2010	**5 191 251**	**5 191 251**
Cost	5 191 251	5 191 251
Accumulated depreciation and impairment losses	-	-
Acquisitions	-	-
Depreciation	-	-
as at 30 June 2011	**5 191 251**	**5 191 251**
Cost	5 191 251	5 191 251
Accumulated depreciation and impairment losses	-	-

	Note	2012 R	2011 R
11 NON-CURRENT ASSETS HELD FOR SALE			
Investment property		-	-
12 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade creditors		11 302 867	1 454 750
Payments received in advance		1 305 491	1 194 122
Retentions		3 633 504	2 827 558
Accrued interest		-	-
Other creditors		9 445 380	7 387 369
Total creditors		**25 687 243**	**12 863 800**
13 CONSUMER DEPOSITS			
Electricity and Water		2 808 469	2 687 115
Total consumer deposits		**2 808 469**	2 687 115
No interest is paid on consumer deposits.			
Guarantees held in lieu of Electricity and Water Deposits		**326 989**	**331 989**
14 VAT PAYABLE			
VAT payable		15 766 179	5 261 309
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.			
15 PROVISIONS			
Provision for leave		5 947 423	3 025 647
Total Provisions		**5 947 423**	**3 025 647**

The movement in current provisions are reconciled as follows: -	**Provision for leave**	**Provision for leave**
Opening balance	3 025 647	3 923 210
Contributions to provision	3 225 002	-
Expenditure incurred	(303 226)	(897 563)
Closing balance	**5 947 423**	**3 025 647**

16 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
16.1 Unspent Conditional Grants from other spheres of Government		
MIG Grants	14 501 310	8 316 830
16.2 Other Unspent Conditional Grants and Receipts		
Financial Management Grant	-	545 387
Municipal Systems Improvement Grant	-	302 623
Department of Energy	-	1 822 535
Total Unspent Conditional Grants and Receipts	**14 501 310**	**10 987 376**
Non-current unspent conditional grants and receipts	**-**	**-**
Current portion of unspent conditional grants and receipts	**14 501 310**	**10 987 376**

	Note	2012 R	2011 R
17 BORROWINGS			
Annuity Loans		2 667 550	3 132 640
		2 667 550	**3 132 640**
Less : Current portion transferred to current liabilities		(441 576)	(465 090)
Annuity Loans		(441 576)	(465 090)
Total borrowings		**2 225 974**	**2 667 550**

18 FINANCE LEASE LIABILITY

Municipality as Lessee

Leasing arrangements:At the reporting date, the Municipality had outstanding commitments under non-cancellable finance lease which fall due as follows:

2012 ***Reconcilliation of the minimum lease payments***	**Minimum lease payment** **R**	**Future finance charges** **R**	**Present value of minimum lease payments** **R**
1 Year	1 291 007	-176 770	1 114 238
2-5 Years	3 840 982	-1 119 239	2 721 743
>5 Years	-	-	-
	5 131 990	(1 296 009)	**3 835 981**
Non-Current Potrion			3 294 623
Current Portion			911 737
			4 206 360
Finance Cost recognised in the Statement of Financial Results			424 134

2011 ***Reconcilliation of the minimum lease payments***	**Minimum lease payment** **R**	**Future finance charges** **R**	**Present value of minimum lease payments** **R**
1 Year	200 337	-69 051	131 287
2-5 Years	55 849	-11 028	44 822
>5 Years			
	256 187	(80 079)	**176 108**
Non-Current Potrion			41 086
Current Portion			205 296
			246 382
Finance Cost recognised in the Statement of Financial Results			71 871

The average lease term is 3 years and the average effective borrowing rate is 9 %. Interest rates are fixed at the contract date.No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

19 NON-CURRENT PROVISIONS			
Provision for rehabilitation of landfill sites		4 436 777	4 033 434
Provision for long-service awards		2 038 171	1 767 746
Total Non-Current Provisions		**6 474 948**	**5 801 180**

	Note	2012 R	2011 R
Rehabilitation of Landfill Sites			
The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal.			
Provision for rehabilitation of landfill sites:			
Balance at the beginning of year		-	
Contributions to provision		4 033 434	3 663 603
Change in estimates			3 471
Expenditure incurred		-	-
Increase in provision due to discounting		403 343	366 360
Transfer to current provisions		-	-
Balance at the end of year		**4 436 777**	**4 033 434**

2012

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation.

Following assumptions were made in determining the amount of the provision.	**Modimolle**	**Mabatlane (Vaalwater)**
Discount rate	**10%**	**10%**
Escalation rate	**6%**	**6%**
Useful Life	**24**	**24**
Remaining useful life	**2 Years**	**Year 2**
Restoration area	**6300sqm**	**5306sqm**
Asset recognised	**R2 777**	**R1 041**

2011

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation.

Following assumptions were made in determining the amount of the provision.	**Modimolle**	**Mabatlane (Vaalwater)**
Discount rate	**10%**	**10%**
Escalation rate	**6%**	**6%**
Useful Life	**24**	**24**
Remaining useful life	**2 Years**	**Year 2**
Restoration area	**6300sqm**	**5306sqm**
Asset recognised	**R2 630 641**	**R1 032 962**

Long-Service Award

A long-service award is granted to Municipal employees for every five years of service completed from ten years of service to 45 years of service,inclusive.Employees are also entitled to receive a gold watch on the completion of 25 years of service and estimated market value of gold watch is R3 500.00.

The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2012 may become entitled to in future, based on actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2012 by a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the Municipality.

The Long Service Awards plans are defined benefit plans. As at year end, 321 employees were eligible for Long Service Awards.

Estimated Future Service Cost-Ensuing Year	324 938	326 422
Estimated Finance Cost-Ensuing Year	122 991	125 473

	Note	2012 R	2011 R
The history of Liabilities, Assets and Experience Adjustment.	2012	2011	2010
History of Assets and Liabilities			
Present value of defi net benefit obligation	2 038 171	1 767 746	1 539 697
Fair Value of Plan Assets	-	-	-
Surplus/(Deficit)	2 038 171	1 767 746	1 539 697
History of Experience Adjustments:Gains and Losses			
Liabilities:(Gain)/Loss	-5 237 000		
Assets:Gain/(Loss)	-		
The principal assumptions used for the purposes of the actuarial valuations were as follows:			
Discount rate		6.52%	7.74%
Expected rate of salary increase		5.97%	6.26%
Net effective discount rate		0.52%	1.39%
Expected remaining working-life of eligible employees		16.5 years	16.9 years
The amounts recognised in the Statement of Financial Position are as follows:			
Present value of fund obligations		2 038 171	1 767 746
Value of Asset		-	-
Net liability		2 038 171	1 767 746
The amount recognised in the Statement of Financial Performance under employee-related costs are as follows:			
Current service cost		326 422	229 729
Interest cost		125 473	114 136
Actuarial loss		116 532	32 960
Total included in employee-related costs		568 427	376 825
Reconciliation of the present value of defined benefit obligation to fair value of liability:			
Balance at the beginning of year		1 767 746	1 539 697
Current-service Cost		326 422	229 729
Interest Cost		125 473	114 136
Benefit Vesting		(298 002)	(148 776)
Actuarial Loss		116 532	32 960
Balance at the end of year		**2 038 171**	**1 767 746**

20 PROPERTY RATES

Actual		
Residential	8 404 982	7 503 815
Commercial	6 656 616	6 308 254
State	742 427	712 709
Church	7 834	7 219
Agricultural	1 828 326	1 373 660
Total property rates	**17 640 185**	**15 905 657**
Property rates - penalties imposed and collection charges	-	-
Total	**17 640 185**	**15 905 657**
Valuations		
Residential	29 641 374 272	25 829 356 899
Commercial	4 137 763 472	4 048 121 472
State	574 041 000	571 692 000
Church	23 760 000	23 760 000
Agricultural	33 629 023 796	34 490 994 075
Total Property Valuations	**68 005 962 540**	**64 963 924 446**

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2008. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.

	Note	2012 R	2011 R
21 SERVICE CHARGES			
Sale of electricity		59 909 053	53 431 551
Sale of water		24 166 783	21 858 882
Refuse removal		4 904 910	6 158 495
Sewerage and sanitation charges		7 395 342	8 024 194
Total Service Charges		**96 376 088**	**89 473 121**
22 RENTAL OF FACILITIES AND EQUIPMENT			
Rental of facilities		345 529	342 161
Total rentals		**345 529**	**342 161**
23 INTEREST EARNED - EXTERNAL INVESTMENTS			
Bank		2 579 738	2 914 413
Eskom Deposit		58 880	-
Total interest		**2 638 618**	**2 914 413**
24 INTEREST EARNED - OUTSTANDING RECEIVABLES			
Consumer Debtors		5 141 087	2 830 587
Total interest		**5 141 087**	**2 830 587**
25 GOVERNMENT GRANTS AND SUBSIDIES			
Equitable share		50 097 535	44 944 901
MIG Grant		27 972 521	19 159 230
Other Government Grants and Subsidies		5 981 010	6 462 878
Total Government Grant and Subsidies		**84 051 066**	**70 567 009**
25.1 Equitable Share In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy which is funded from the grant.			
25.2 MIG Grant			
Balance unspent at beginning of year		8 316 830	5 694 061
Current year receipts		34 157 000	21 782 000
Conditions met - transferred to revenue		(27 972 521)	(19 159 230)
Conditions still to be met - remain liabilities (see note 16)		**14 501 310**	**8 316 830**
25.3 Financial Management Grant			
Balance unspent at beginning of year		545 387	1 357 869
Current year receipts		1 250 000	3 000 000
Conditions met - transferred to revenue		(1 795 387)	(3 812 481)
Conditions still to be met - remain liabilities (see note 16)		**-**	**545 387**
25.4 Municipal Systems Improvement Grant			
Balance unspent at beginning of year		302 623	203 020
Current year receipts		790 000	750 000
Conditions met - transferred to revenue		(1 092 623)	(650 397)
Conditions still to be met - remain liabilities (see note 16)		**-**	**302 623**
25.5 Department of Energy			
Balance unspent at beginning of year		1 822 535	1 822 535
Current year receipts		-	
Conditions met - transferred to revenue		(1 822 535)	
Conditions still to be met - remain liabilities (see note 16)		**-**	**1 822 535**

	Note	2012 R	2011 R
25.6 District Municipality			
Balance unspent at beginning of year			-
Current year receipts		1 000 000	2 000 000
Conditions met - transferred to revenue		(1 000 000)	(2 000 000)
Conditions still to be met - remain liabilities (see note 16)		**-**	**-**

25.6 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act no. 5 of 2012), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

26 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS

26.1 Other income		
Other income	2 745 330	3 872 366
Total Other Income	**2 745 330**	**3 872 366**
26.2 Public contributions and donations		
Donations	79 963	-
Total public contributions and donations	**79 963**	**-**
27 EMPLOYEE RELATED COSTS	**65 472 726**	**51 939 935**
Employee related costs - Salaries and Wages	44 030 294	34 194 266
Employee related costs - Contributions for UIF, pensions and medical aids	9 843 984	7 803 693
Travel, motor car, accommodation, subsistence and other allowances	3 156 346	1 979 379
Housing benefits and allowances	808 295	672 873
Overtime payments	2 134 782	1 401 649
Performance and other bonuses	-	-
Long-service awards	-	-
Other employee related costs	3 081 041	3 175 319
Employee Related Costs	**63 054 742**	**49 227 178**
Remuneration of the Municipal Manager		
Annual Remuneration	537 638	510 000
Performance- and other bonuses	-	
Travel, motor car, accommodation, subsistence and other allowances	168 289	173 603
Contributions to UIF, Medical and Pension Funds	126 507	166 397
Total	**832 434**	**850 000**
Remuneration of the Chief Finance Officer		
Annual Remuneration	114 662	-
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	15 000	-
Contributions to UIF, Medical and Pension Funds	26 656	-
Total	**156 318**	**-**

Remuneration of Individual Executive Directors	**Technical Services R**	**Corporate Services R**	**Community Services R**
2012			
Annual Remuneration	192 382	275 364	380 096
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	77 029	96 635	142 331
Contributions to UIF, Medical and Pension Funds	56 321	81 461	127 613
Total	**325 732**	**453 460**	**650 040**

	Technical Services R	**Corporate Services R**	**Community Services R**
2011			
Annual Remuneration	365 117	244 856	374 399
Performance- and other bonuses	-		-
Travel, motor car, accommodation, subsistence and other allowances	174 568	291 963	127 956
Contributions to UIF, Medical and Pension Funds	81 234	84 100	118 564
Total	**620 919**	**620 919**	**620 919**

	Note	2012 R	2011 R

	Note	2012 R	2011 R
28 REMUNERATION OF COUNCILLORS			
Mayor		615 522	582 758
Speaker		492 122	466 205
Executive Committee Members		908 621	480 774
Councillors		2 947 530	2 199 924
Councillors' pension and medical aid contributions		-	-
Councillors' allowances			
Total Councillors' Remuneration		**4 963 797**	**3 729 661**

In-kind Benefits

The Mayor, Speaker and Chief Whip are full-time. Each is provided with an office and secretarial support at the cost of the Council.
The Mayor has use of the Council owned vehicle for official duties.

29 DEPRECIATION AND AMORTISATION EXPENSE			
Property, plant and equipment		30 400 617	34 090 723
Intangible assets		102 780	50 579
Total Depreciation and Amortisation		**30 503 397**	**34 141 303**
30 FINANCE COSTS			
Borrowings		322 953	386 787
Provisions		1 986 734	1 222 374
Leases		439 644	429 872
Total Finance Costs		**2 749 330**	**2 039 033**
31 BULK PURCHASES			
Electricity		58 165 735	42 046 553
Water		7 781 035	3 727 193
Total Bulk Purchases		**65 946 769**	**45 773 746**
32 CONTRACTED SERVICES			
Contracted services for:			
Security Services		5 297 603	3 451 759
Legal Services		2 481 594	1 250 553
		7 779 198	**4 702 312**

	Note	2012 R	2011 R
33 GENERAL EXPENSES			
Included in general expenses are the following:-			
Advertising		411 435	404 013
Admin fees		0	(1 797)
Audit fees		1 942 222	1 740 353
Bank charges		375 369	582 552
Bursaries		202 540	186 953
Cleaning		119 753	103 882
Conferences and delegations		91 507	154 492
Consumables		515	-
Entertainment		138 917	186 351
Financial management grant		1 123 228	2 079 393
Eskom Substation Upgrade		4 150 000	3 800 000
Indigent Expenditure		38 909	2 176 253
Insurance		529 079	1 762 654
Medical Aid Expenses - Continues Members		764 876	806 843
Membership fees		446 529	292 995
MSIG Expenses		991 356	456 997
Postage		833	4 214
Printing and stationery		892 849	653 127
Professional fees		3 309 075	1 802 185
Protective Clothing		366 092	357 808
Programming		1 061 993	1 045 215
Photo Copier Expenses		479 520	1 239 461
Rental of computer equipment		217 512	87 112
Subscribtion & publication		179 945	262 541
Telephone cost		1 709 022	1 521 733
Training		382 723	343 283
Vehicle Costs		2 628 235	1 898 788
Travel and subsistence		908 051	655 182
Transport Costs		273 200	1 599 756
Other		6 972 378	5 589 449
Total General Expenses		**30 707 663**	**31 791 787**
34 GAIN / (LOSS) ON SALE OF ASSETS			
Property, plant and equipment		(409 306)	-
Total Gain / (Loss) on Sale of Assets		**(409 306)**	**-**

	Note	2012 R	2011 R
35 CASH GENERATED BY OPERATIONS			
Surplus/(deficit) for the year		(5 756 763)	1 531 603
Adjustment for:-			
Depreciation and amortisation		30 503 397	34 141 303
Prior year adjustment (Note 37)			(28 354 589)
Bad Debts		4 530 920	1 844 167
(Gain) / loss on sale of assets		409 306	-
Actuarial gain		(1 173 101)	3 579 442
Other non cash		(104 260)	762 508
Operating surplus before working capital changes:		**28 409 499**	**13 504 434**
(Increase)/decrease in inventories		(1 944 658)	(400 354)
(Increase)/decrease in trade receivables		(14 512 551)	(6 951 172)
(Increase)/decrease in other receivables		-	3 055 469
(Increase)/decrease in VAT receivable		-	18 060
Increase/(decrease) in conditional grants and receipts		(3 513 934)	(1 909 891)
Increase/(decrease) in trade payables		12 823 442	9 823 344
Increase/(decrease) in consumer deposits		121 354	(186 137)
increase in provision		3 595 544	(6 103 747)
Increase/(decrease) in VAT payable		10 504 870	(5 261 309)
(Increase)/decrease in Investments			(2 016 057)
Cash generated by/(utilised in) operations		**35 483 566**	**3 572 640**
36 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprise the following:			
Bank balances and cash		55 498 861	29 809 539
Bank overdrafts		-	-
Net cash and cash equivalents (net of bank overdrafts)		**55 498 861**	**29 809 539**
37 CORRECTION OF ERROR			
During the year ended 30 June 2011 and previous years, PPE and other assets were incorrectly recognised: -			
The comparative amount has been restated as follows:			
Bulk Expenditure			(24 672)
Finance Cost			93 949
Depreciation			58 821
Landfill Site Provision			(9 089 179)
Net effect on surplus/(deficit) for the year		-	(8 961 080)
Increase/(Decrease) in Property, Plant and Equipment			(33 366 413)
(Increase)/Decrease in Lease Liability			(93 915)
Increase/(Decrease) in Inventory			(344 057)
(Increase)/Decrease in Landfill Site Provision			9 089 179
(Increase)/Decrease inProvision for Long Service Awards			(59 941)
(Increase)/Decrease inProvision for Health Care Benefit Liability			(3 579 442)
Net effect on Statement of Financial Position		-	(28 354 589)
Net effect on Accumulated surplus opening balance			(28 354 589)

There was a cost establishment exercise which affected prior periods ending 30 June 2010 amounting to R547 924 311.

	Note	2012 R	2011 R

38 CHANGE IN ESTIMATE

During the 2011/12 financial year the Municipality reviewed the remaining useful lives on existing immovable assets. During the review it was decided that certain component's remaining useful life should be changed due to change in the expected flow of economic resources. The financial implication is that the annual depreciation will decrease by R1 656 313.54 in the 2011/12 financial year.
During the 2011/12 financial year the provision for landfill site was reviewed and resulted in the change of the liability with R3 471.00. The annual financial statements was adjusted retrospectively.

39 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

39.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance		
Unauthorised expenditure current year	16 798 675	37 729 891
Approved by Council or condoned		
Transfer to receivables for recovery		
Unauthorised expenditure awaiting authorisation	**16 798 675**	**37 729 891**

39.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance -	803 292	803 292
Fruitless and wasteful expenditure current year	557 325	
Fruitless and wasteful expenditure awaiting condonement	**1 360 618**	**803 292**

39.3 Irregular expenditure

Reconciliation of irregular expenditure

Irregular expenditure current year	5 551 832	
Irregular expenditure awaiting condonement	**5 551 832**	**-**

	Note	2012 R	2011 R
40 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT			
40.1 Contributions to organised local government			
Amount paid - current		446 529	292 995
Balance unpaid (included in payables)		**446 529**	**292 995**
40.2 Audit fees			
Amount paid - current year		1 766 673	1 562 612
Balance unpaid (included in payables)		**1 766 673**	**1 562 612**
40.3 VAT			
VAT input receivables and VAT output payables are shown in note 18.			
40.4 PAYE and UIF			
Current year payroll deductions		5 934 755	5 045 670
Balance unpaid (included in payables)		**5 934 755**	**5 045 670**
40.5 Pension and Medical Aid Deductions			
Current year payroll deductions and Council Contributions		13 764 086	11 467 742
Balance unpaid (included in payables)		**13 764 086**	**11 467 742**

40.6 Councillor's arrear consumer accounts

The following Councillors had accounts outstanding: -	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
as at 30 June 2012			
Councillor SA Sebolai	793	793	
Councillor MF Marutha	6 883	1 173	5 710
Councillor MS Olifant	126	126	
Councillor SD Sebelebele	1 275	206	1 069
Councillor G Ferreira	296	296	
Councillor RP Mashaba	369	369	
Councillor WL Botes	685	685	
Councillor SJ Moropene	1 394	211	1 183
Councillor MS Ledwaba	1 008	278	730
Total Councillor Arrear Consumer Accounts	**12 830**	**4 138**	**8 692**

	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
as at 30 June 2011			
Councillor D Sebelebele	859		859
Councillor AN Khanya	3 155		3 155
Councillor MF Marutha	2 181		2 181
Councillor SJ Moropene	1 401		1 401
Total Councillor Arrear Consumer Accounts	**7 596**	**-**	**7 596**

	Note	2012 R	2011 R
41 CAPITAL COMMITMENTS			
41.1 Commitments in respect of capital expenditure			
- Approved and contracted for		**14 501 310**	**8 316 830**
Infrastructure		14 501 310	8 316 830
Community			
Heritage			
Other			
Total		14 501 310	8 316 830
This expenditure will be financed from:			
- External Loans			
- Government Grants		14 501 310	8 316 830
- Own resources			
- District Council Grants			
		14 501 310	**8 316 830**
41.2 Operating leases			
Operating leases – as lessor			
At the reporting date, the Municipality had outstanding receipts in terms of operating leases, which will accrue as follows:			
Minimum lease payments due			
Within one year		309 309.26	313 637.61
In second to fifth year inclusive		588 610.19	837 450.52
After five years		91 540.15	151 349.00
Total		**989 460**	**1 302 437**
Rental Income recognised in Statement of Financial Results		313 739.16	300 990.49
Operating Leases consists of the following: The average lease term is 6 years. Some leases have fixed repayment terms and other escalate between 5 and 10% per annum. No arrangements have been entered into for contingent rent.			

	Note	2012 R	2011 R
42 RETIREMENT BENEFIT INFORMATION			
42.1 PROVISION FOR POST-RETIREMENT MEDICAL BENEFITS			
The Post-Employment Health Care Benefit Plan is a defined benefit plan, of which is made up as follows:			
Eligible In-Service Member			
Number of Principal Members		101	102
Eligible Non-Members		220	203
Average Age of Members		41.6	41.6
Average Past service		8.5	8.4
Average Number of Dependants for in-Service Members		1.7	1.6
Continuing Members			
Number of Principal Members		17	19
Average Age of Members		72.5	70.8
Average Number of Dependants		0.6	0.6
Average Employer Contribution		R 2 312	R 2 117
Total Members		**338**	**324**
The liability in respect of past service has been estimated to be as follows:			
– In-service members		12 164 821	10 841 819
– Continuation members		5 735 598	6 174 686
Total		**17 900 419**	**17 016 505**
Municipality offer its emplyees and continuing members the opportunity of belonging to one of several medical aid schemes,most of which offer a range of options pertaining to level of cover.			
Current Service Cost			
Current Period		1 081 713	489 193
Ensuing Period		1 151 401	1 081 713
The principal assumptions used for the purposes of the actuarial valuations were as follows:			
Discount rate		8.05%	8.69%
Health care cost inflation rate		7.03%	7.33%
Net effective discount rate		0.94%	1.27%
Average Retirement age		58	58
Expected Remaining Working Life-Life of Eligible Employees		16.5 years	
The amounts recognised in the Statement of Financial Position are as follows:			
Present value of fund obligations		17 900 419	17 016 505
Fair value of plan assets		-	-
Benefit liability		**17 900 419**	**17 016 505**
The amount recognised in the Statement of Financial Performance under employee-related costs are as follows:			
Current service cost		1 081 700	489 200
Interest cost		1 457 900	1 108 200
Actuarial (gain)/loss recognised		-1 173 101	3 579 442
		1 366 499	5 176 842
The movement in the defi ned benefi t obligation over the year is as follows:			
Balance at beginning of year		17 016 505	12 323 194
Current service cost		1 081 713	489 200
Interest cost		1 457 918	1 108 238
Benefits paid		-482 616	-483 562
Total Annual Expense		**19 073 520**	**13 437 070**
Recognised actuarial (gain)/loss		**-1 173 101**	**3 579 435**
Balance at end of year		**17 900 419**	**17 016 505**

The history of Liabilities ,Assets and Experience Adjustment.	**Note** **2012**	**2012** **R** **2011**	**2011** **R** **2 010**
History of Assets and Liabilities			
Present value of defi ned benefi t obligation		17 900 419	17 016 505	11 307 000
Fair Value of Plan Assets		-	-	-
Experienced adjustments on plan liabilities		**17 900 419**	**17 016 505**	**11 307 000**
History of Experience Adjustments:Gains and Losses			
Liabilities:(Gain)/Loss		-3 028 000	-3 597 000	
Assets:Gain/(Loss)		-	-	

43 CONTINGENT LIABILITY

Pending leagal cases:	Nature	Amount Estimated	Amount Estimated
KC Joubert V Modimolle Municipality	Labour Dispute	80 000.00	80 000.00
Chris Cook Homes CC V Modimolle Municipality	Damages for installation of services (Penalty)	380 000.00	380 000.00
John Cornelius Van Tonder V Modimolle Municipality	Claim of vehicle damages	60 000.00	-
Pieter Buzuidenhout V Modimolle Municipality	Claim of vehicle damages	70 000.00	-
Jm Moenda/Kgatla Property Developers CC V Modimolle Municipality.	Injury sustained by child juring contractual work at Vaalwater.Possible financial loss may be recovered from insurance.	150 000.00	
MP Segwapa V Modimolle Municipality	Labour Dispute	150 000.00	350 000.00
		890 000	810 000

44 EVENTS AFTER THE REPORTING DATE

Management have not identified any matter of circumstance (adjusting or non-adjusting) since the end of the financial year, that will impact on the fair presentation of the Annual Financial Statements.

45 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment
Recoverable amounts of property, plant and equipment
Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)
Present value of defined benefit obligation
Provision for doubtful debts
Provision for long-term service award

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Provisions

	Note	2012 R	2011 R

46 RISK MANAGEMENT

46.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Standard bank	47 186 866	
First National bank	107 372	22 609 760
Financial guarantees	326 989	331 989
Trade and other receivables	40 218 399	25 764 728

46.2 Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits
- Notice deposits
- Development Bank of South Africa loan

47 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures C

Modimolle Local Municipality

APPENDIX A

SCHEDULE OF EXTERNAL LOANS

as at 30 June 2012

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2011	Received during the period	Redeemed / written off during the period	Balance at 30 June 2012
			R	R	R	R
LONG-TERM LOANS						
Development Bank of SA @	11191	31/03/2014	363 025	-	102 379	260 646
Development Bank of SA @	10467	30/09/2017	1 416 310	-	154 240	1 262 070
Development Bank of SA @	13537	30/03/2020	1 292 554	-	147 720	1 144 834
Development Bank of SA @	14008	31/12/2011	60 750	-	60 750	-
TOTAL EXTERNAL LOANS			3 132 640	-	465 090	2 667 550

Modimolle Local Municipality

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

as at 30 June 2012

	Cost / Revaluation								Accumulated Depreciation				
	Opening Balance	Additions	Asset Donations	Derecognition	Change in Landfill Provision	WIP Capitalisation	Closing Balance	Carrying Value 30 June 2011	Opening Balance	Depreciation	Asset Donations	Derecognition	Closing Balance
	R	R	R	R			R		R	R	R	R	R
Land													
Land	350 829 609	-	-				350 829 609	350 829 609					
Landfill Sites	3 663 603	-	-	-	3 817		3 667 420	1 831 802	1 831 801	1 835 619			3 667 420
	354 493 212	-	-	-	3 817		354 497 030	352 661 411	1 831 801	1 835 619	-	-	3 667 420
Buildings	**46 685 683**	**6 261 356**		**(160 935)**			**52 786 104**	**37 965 636**	**8 720 047**	**2 858 197**	-	**(56 089)**	**11 522 155**
Infrastructure													
Electricity network	83 541 048						83 541 048	71 025 401	12 515 648	4 106 689	-	-	16 622 337
Electricity supply	-	1 228 239					1 228 239	-	-	24 496			24 496
Road and storm water network	178 603 296	8 660 147					187 263 443	138 455 112	40 148 184	8 210 748	-	-	48 358 932
Sanitation network	63 973 502	20 780 155		(273 883)			84 479 774	57 383 631	6 589 871	2 318 561	-	(19 503)	8 888 929
Water supply network	102 308 269	624 305					102 932 574	85 089 745	17 218 523	5 747 727	-	-	22 966 250
	428 426 115	31 292 846	-	(273 883)	-		459 445 078	351 953 889	76 472 226	20 408 221	-	(19 503)	96 860 944
Under construction	31 589 060	15 183 805				(27 520 965)	19 251 899	31 589 060	-				
	460 015 175	**46 476 651**	**-**	**(273 883)**	**-**	**(27 520 965)**	**478 696 978**	**383 542 949**	**76 472 226**	**20 408 221**	**-**	**(19 503)**	**96 860 944**
Community Assets													
Community facility	10 170 054			(97 820)			10 072 234	8 145 969	2 024 085	654 054	-	(47 740)	2 630 399
Sports and Recreational facility	9 604 712	8 772					9 613 483	7 414 142	2 190 569	684 805	-	-	2 875 374
	19 774 766	8 772	-	(97 820)	-	-	19 685 717	15 560 111	4 214 654	1 338 859	-	(47 740)	5 505 773
Work-In-Progress	158 772	279 337				(8 772)	429 337	158 772	-		-	-	-
	19 933 537	**288 109**	**-**	**(97 820)**	**-**	**(8 772)**	**20 115 054**	**15 718 883**	**4 214 654**	**1 338 859**	**-**	**(47 740)**	**5 505 773**
Heritage Assets													
	-	-	-	-			-		-	-	-	-	-
Total carried forward	881 127 608	53 026 115	-	(532 638)	3 817	(27 529 737)	906 095 165	789 888 879	91 238 729	26 440 895	-	(123 332)	117 556 292

Modimolle Local Municipality

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

as at 30 June 2012

	Cost / Revaluation								Accumulated Depreciation				
	Opening Balance	Additions	Asset Donations	Derecognition	Landfill	WIP Capitalisation	Closing Balance	Carrying Value 30 June 2011	Opening Balance	Depreciation	Asset Donations	Derecognition	Closing Balance
	R	R	R	R			R		R	R	R	R	R
Total brought forward	881 127 608	53 026 115	-	(532 638)	3 817	(27 529 737)	906 095 165	789 888 879	91 238 729	26 440 895	-	(123 332)	117 556 292
Other Assets													
Housing	53 299						53 299	41 265	12 034	4 011			16 045
Operational Building	3 264 127	35 500					3 299 627	2 245 033	1 019 094	309 458		-	1 328 552
	3 317 426	**35 500**	**-**	**-**	**-**		**3 352 926**	**2 286 298**	**1 031 128**	**313 469**	**-**	**-**	**1 344 598**
Office and Equipment	2 345 111	19 146	79 963				2 444 219	1 863 375	481 735	513 354			995 090
General Motor Vehicles	6 549 277						6 549 277	4 782 074	1 767 203	1 567 240			3 334 443
Furniture and Fittings	2 477 849	35 929					2 513 778	1 863 766	614 083	360 374			974 457
Plant and Equipment	1 853 971	19 300					1 873 271	1 306 641	547 331	288 696			836 026
	13 226 208	74 374	79 963				13 380 545	9 815 856	3 410 352	2 729 664			6 140 016
Work-In-Progress	48 000	-				(48 000)	-	48 000	-				-
	48 000	-	-	-	-	(48 000)	-	48 000	-	-	-	-	-
	16 591 634	**109 874**	**79 963**	**-**	**-**	**(48 000)**	**16 733 472**	**12 150 154**	**4 441 480**	**3 043 133**	**-**	**-**	**7 484 613**
Finance Lease Assets													
Office Equipment	1 056 947	4 276 950	-	(1 057 376)			4 276 521	202 175	854 772	916 588	-	(946 904)	824 456
Motor Vehicle							-						
Other Assets	-		-					-	-		-	-	-
	1 056 947	**4 276 950**	**-**	**(1 057 376)**			**4 276 521**	**202 175**	**854 772**	**916 588**	**-**	**(946 904)**	**824 456**
Total	**898 776 189**	**57 412 940**	**79 963**	**(1 590 014)**	**3 817**	**(27 577 737)**	**927 105 157**	**802 241 208**	**96 534 981**	**30 400 617**	**-**	**(1 070 236)**	**125 865 361**

Modimolle Local Municipality

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

as at 30 June 2011

	Cost / Revaluation								Accumulated Depreciation				
	Opening Balance	Additions	Disposals	Under Construction	Transfere		Closing Balance	Carrying Value 30 June 2010	Opening Balance	Depreciation	Disposals	Derecognition	Closing Balance
	R	R	R	R			R		R	R	R	R	R
Land													
Land	329 056 719	21 772 890	-	-			350 829 609	329 056 719	-	-		-	-
Landfill Sites-Provision		3 663 603	-	-			3 663 603	-		1 831 801	-	-	1 831 801
							-	-					
	329 056 719	25 436 493	-	-	-		354 493 212	329 056 719	-	1 831 801	-	-	1 831 801
							-						
Buildings	46 194 153	491 530	-	-			46 685 683	40 363 838	5 830 315	2 889 732	-	-	8 720 047
							-	-					-
Infrastructure							-	-					-
Electricity network	83 541 048	-	-	-			83 541 048	75 205 609	8 335 440	4 180 208	-	-	12 515 648
Road and storm water network	152 187 468	26 415 828	-	-			178 603 296	125 632 231	26 555 237	13 592 948	-	-	40 148 184
Sanitation network	59 063 656	4 909 846	-	-			63 973 502	54 687 813	4 375 843	2 214 028	-	-	6 589 871
Water supply network	101 357 540	950 729	-	-			102 308 269	89 883 860	11 473 680	5 744 843	-	-	17 218 523
	396 149 712	**32 276 403**	**-**	**-**	**-**		**428 426 115**	**345 409 513**	**50 740 199**	**25 732 027**	**-**	**-**	**76 472 226**
Work-In-Progress	39 686 242	-		13 126 158	(21 314 493)		31 497 907	39 686 242	-				-
	435 835 954	**32 276 403**	**-**	**13 126 158**	**(21 314 493)**		**459 924 022**	**385 095 755**	**50 740 199**	**25 732 027**	**-**	**-**	**76 472 226**
Community Assets							-						
Community facility	10 126 085	43 968	-	-		-	10 170 054	8 832 185	1 293 901	730 184	-	-	2 024 085
Sports and Recreational facility	9 604 712	-	-	-			9 604 712	8 144 332	1 460 379	730 190	-	-	2 190 569
	19 730 797	**43 968**	**-**	**-**	**-**		**19 774 766**	**16 976 517**	**2 754 280**	**1 460 374**	**-**	**-**	**4 214 654**
Work-In-Progress	-	-	-	158 772			158 772	-		-	-	-	-
	19 730 797	43 968	-	158 772	-		19 933 537	16 976 517	2 754 280	1 460 374	-	-	4 214 654
Heritage Assets							-	-					
		-	-	-			-	-		-	-	-	-
		-	-	-			-	-		-	-	-	-
	-	-	-	-			-	-	-	-	-	-	-
Total carried forward	830 817 623	58 248 394	-	13 284 930	(21 314 493)		881 036 455	771 492 828	59 324 795	31 913 934	-	-	91 238 729

Modimolle Local Municipality

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

as at 30 June 2011

	Cost / Revaluation								Accumulated Depreciation				
	Opening Balance	Additions	Disposals	Under Construction	Transfere		Closing Balance	Carrying Amount 30 June 2010	Opening Balance	Depreciation	Disposals	Derecognition	Closing Balance
	R	R	R	R			R		R	R	R	R	R
Total brought forward	830 817 623	58 248 394	-	13 284 930	(21 314 493)		881 036 455	771 492 828	59 324 795	31 913 934	-	-	91 238 729
								-					-
Other Assets								-					-
Housing	53 299						53 299	45 276	8 023	4 011			12 034
Operational Building	3 264 127			-			3 264 127	2 584 731	679 396	339 698		-	1 019 094
	3 317 426	**-**	**-**	**-**	**-**		**3 317 426**	**2 630 007**	**687 419**	**343 709**	**-**	**-**	**1 031 128**
Office and Equipment	749 563	1 595 548	-	-			2 345 111	586 700	162 863	318 873		-	481 735
General Motor Vehicles	2 470 126	4 079 150	-	-			6 549 277	1 724 099	746 027	1 021 176		-	1 767 203
Furniture and Fittings	1 779 505	698 344	-	-			2 477 849	1 459 551	319 954	294 129		-	614 083
Plant and Equipment	779 305	1 074 667	-	-			1 853 971	483 425	295 880	251 451		-	547 331
	5 778 499	**7 447 709**	**-**	**-**	**-**		**13 226 208**	**4 253 776**	**1 524 723**	**1 885 629**	**-**	**-**	**3 410 352**
Work-In-Progress	-	-		48 000			48 000	-					-
	9 095 925	**7 447 709**	**-**	**48 000**	**-**		**16 591 634**	**6 883 783**	**2 212 142**	**2 229 338**	**-**	**-**	**4 441 480**
Finance Lease Assets		-					-						
Office Equipment	2 010 072	110 043	-	-	(1 063 168)		1 056 947	299 853	1 710 219	207 721	-	(1 063 168)	854 772
Other Assets		-	-	-			-	-		-	-	-	-
	2 010 072	110 043	-	-			1 056 947	299 853	1 710 219	207 721	-	(1 063 168)	854 772
Total	**841 923 620**	**65 806 146**	**-**	**13 332 930**	**(21 314 493)**		**898 685 035**	**778 676 464**	**63 247 155**	**34 350 993**	**-**	**(1 063 168)**	**96 534 981**

Carrying Value 30 June 2012
R
-
350 829 609
0
-
350 829 609
41 263 949
66 918 712
1 203 743
138 904 511
75 590 844
79 966 324
362 584 134
19 251 899
381 836 033
7 441 835
6 738 110
14 179 944
429 337
14 609 281
-
788 538 873

Carrying Value 30 June 2012
R
788 538 873
37 254
1 971 075
2 008 329
1 449 130
3 214 834
1 539 321
1 037 245
7 240 530
-
-
9 248 858
3 452 065
-
-
3 452 065
801 239 796

Carrying Value 30 June 2011
R
350 829 609
1 831 802
-
352 661 411
37 965 636
-
-
71 025 401
138 455 112
57 383 631
85 089 745
351 953 889
31 497 907
383 451 796
8 145 969
7 414 142
15 560 111
158 772
15 718 883
-
-
-
789 797 726

Carrying Value 30 June 2011
R
789 797 726
-
-
41 265
2 245 033
2 286 298
1 863 375
4 782 074
1 863 766
1 306 641
9 815 856
48 000
12 150 154
202 175
-
202 175
-
802 150 055

Modimolle Local Municipality

APPENDIX C

STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

as at 30 June 2012

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Virement (i.t.o. Council Approved By-law)	Final Budget	Actual Income	Unauthorised Expenditure	Variance	Actual Income As % Of Final Budget	Actual Outcome As % Of Original Budget
	1	2	3	4	5	6	7	8	9
	R	R	R	R	R	R	R	R	R
Financial Performance									
Property Rates	16 870 000	130 000	-	17 000 000	17 640 185		640 185	104%	105%
Service Charges	105 090 000	-5 764 000	-	99 326 000	96 376 088		96 376 088	97%	92%
Investment Revenue	4 100 000	1 400 000	-	5 500 000	7 779 705		7 779 705	141%	190%
Transfers Recognised - Operational	55 301 801	848 013	-	56 149 814	57 236 374		57 236 374	102%	103%
Other Own Revenue	5 623 199	-101 199	-	5 522 000	6 802 800		1 280 800	123%	121%
Total Revenue (Excluding Capital Transfers & Contributions)	186 985 000	-3 487 186	-	183 497 814	185 835 152	0	163 313 152	101%	99%
Employee Costs	61 669 330	-591 304	-	61 078 026	63 054 742		1 976 716	103%	102%
Remuneration Of Councillors	4 903 485	268 059	-	5 171 544	4 963 797		-207 747	96%	101%
Debt Impairment	4 000 000	-	-	4 000 000	3 930 808		-69 192	98%	98%
Depreciation & Asset Impairment	35 750 375	-	-	35 750 375	30 503 397		-5 246 978	85%	85%
Finance Charges	806 000	1 500 000	-	2 306 000	2 749 330		443 330	119%	341%
Materials & Bulk Purchases	63 863 044	98 101	45 000	64 006 145	65 946 769		1 940 624	103%	103%
Transfers & Grants	-	-	-	-			-		
Other Expenditures	41 534 124	-5 032 909	-45 000	36 456 215	46 582 893		10 126 678	128%	112%
Total Expenditure	212 526 358	-3 758 053	-	208 768 305	217 731 735	0	8 963 430	104%	102%
Surplus/(Deficit)	-25 541 358	270 867	-	-25 270 491	-31 896 583	0	154 349 722	-3%	-3%
Transfers Recognised - Capital	32 505 200	7 052 349	-	39 557 549	26 814 692		-12 742 857	68%	82%
Contributions Recognised - Capital & Contributed Assets	-	-	-	-					
Surplus/(Deficit) After Capital Transfers & Contributions	6 963 842	7 323 216	-	14 287 058	-5 081 891	0	141 606 865	-36%	-73%
Share Of Surplus/(Deficit) Of Associate									
Surplus/(Deficit For The Year	6 963 842	7 323 216	-	14 287 058	-5 081 891	0	141 606 865	-36%	-73%
Capital Expenditure & Funds Sources									
Capital Expenditure									
Transfers Recognised - Capital	32 505 200	7 052 349	-	39 557 549	26 814 692		-12 742 857	68%	82%
Public Contributions & Donations	-	-	-	-					
Borrowing	-	-	-	-					
Internally Generated Funds	810 000	1 204 900	-	2 014 900	1 138 364		-876 536	56%	141%
Total Sources Of Capital Funds	33 315 200	8 257 249	-	41 572 449	27 953 056	0	-13 619 393		
Cash flows									
Net Cash From (Used) Operating	33 403 984	6 288 413	-	39 692 397					
Net Cash From (Used) Investing	-33 509 983	-8 257 249	-	-41 767 232					
Net Cash From (Used) Financing	-285 000	50 000	-	-235 000					
Cash/Cash Equivalents At The Year End	-390 999	-1 918 836	-	-2 309 835	-	0	0	0	0